



COMMONWEALTH of VIRGINIA

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VITA files counterclaim against Northrop Grumman

~ Seeks \$300 million in damages, specific performance due to breaches of CIA ~

RICHMOND – Today, the Virginia Information Technologies Agency (VITA) filed a counterclaim in Richmond Circuit Court against Northrop Grumman, seeking \$300 million in damages for breaches of the Comprehensive Infrastructure Agreement (CIA) that the company entered into with VITA.

In addition to monetary damages, VITA is seeking a court order compelling Northrop Grumman to meet its contractual obligation to cooperate with VITA's planned transition to new service providers. This action was necessary to respond to the lawsuit filed by Northrop Grumman on May 26 against VITA and to prevent further costly transition delays resulting from Northrop Grumman's unwillingness to work cooperatively and constructively with VITA, as required by the CIA.

In 2005, VITA entered into the CIA with Northrop Grumman to provide comprehensive information technology (IT) services to the Commonwealth of Virginia. From the start of the contract in 2006, Northrop Grumman's performance has been disappointing and plagued by service delays, outages and other serious problems. As VITA works to transition systems to new vendors, further performance failures and the subpar state of the commonwealth's IT infrastructure are becoming more clear. Northrop Grumman has not made the required investments in the commonwealth's IT infrastructure contemplated by the CIA, including among other things, failing to properly maintain existing systems (much less update them) and even allowing a number of systems to degrade. These failures have cost, and will continue to cost, the commonwealth millions of dollars.

VITA is in the process of obtaining new providers for specific IT services, some of whom already are under contract to take over portions of this work. Instead of honoring its contractual obligation to deliver a complete, timely, and seamless transition to these new providers, Northrop Grumman is taking advantage of its current control of the commonwealth's IT infrastructure, essentially holding it hostage.

Northrop Grumman has improperly resisted VITA direction, intentionally delayed the transition, and wrongfully refused to relinquish control of, and monthly billing for, the commonwealth's IT systems, all

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the while demanding tens of millions of taxpayer dollars in additional fees for transition work it is already obligated to provide under the CIA at no additional cost. VITA is now enforcing its rights under the CIA to ensure a prompt and smooth transition to more effective and less expensive IT service providers.

VITA will continue to work with our legal representatives to ensure protection of the commonwealth's financial and IT resources.

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